

Division of Securities
Utah Department of Commerce
160 East 300 South
Box 146760
Salt Lake City, UT 84114-6760
Telephone: (801) 530-6600
FAX: (801) 530-6980

**BEFORE THE DIVISION OF SECURITIES
OF THE DEPARTMENT OF COMMERCE
OF THE STATE OF UTAH**

IN THE MATTER OF:

ZELL LOU MILLS

Respondent.

**STIPULATION AND CONSENT
ORDER**

Docket No. SD-06-0031

The Utah Division of Securities (Division), by and through its Director of Enforcement, Michael Hines, and Zell Lou Mills (Respondent) hereby stipulate and agree as follows:

1. Respondent is the subject of two investigations conducted by the Division into allegations that Respondent violated certain provisions of the Utah Uniform Securities Act (the Act), Utah Code Ann. § 61-1-1, et seq, as amended.
2. Respondent and the Division have agreed to settle this matter by way of this Stipulation and Consent Order (Consent Order).
3. Respondent admits the jurisdiction of the Division over Respondent and over the subject matter of this action.
4. Respondent waives any right to a hearing to challenge the Division's evidence and present evidence on the Respondent's behalf.

THE DIVISION'S INVESTIGATIVE FINDINGS

5. Between August 2003 and May 2005, the Division conducted two separate investigations of Zell Lou Mills. The Division's first investigation revealed the following:
 - a. Zell Lou Mills (Mills) resides in Salt Lake County, Utah.
 - b. Mills is not now, nor has he ever been, licensed to sell securities.
 - c. Between November 1997 and September 2000, Mills and two others solicited investments involving high-return loans to banks, and overseas money trading, from at least three Utah investors, and collected \$150,000.
 - d. Mills told investors they would make a return of 100% on their principal investment within a couple of months if they invested in the trading program.
 - e. Mills told investors that there was no risk involved, or that the investment was completely safe.
 - f. The investors received no return of principal or interest.
6. The Division's second investigation of Mills revealed that:
 - a. Between the spring of 2003 and December 2004, Mills solicited a Utah investor to invest in stock, certificates of deposit (CD's), commodities, and other more speculative ventures.
 - b. Between May and September 2003, Mills sold the investor 3,200 shares of stock in DDS Technologies USA, Inc. (a Nevada corporation) at a cost of more than \$20,000, yet the investor only received one stock certificate reflecting ownership of 1,500 shares.

- c. On or about December 11, 2003, Mills sold the same investor a 90-Day Euro CD for \$6,000, yet Mills never provided the investor with the certificate and only paid her a few hundred dollars in interest.
 - d. In December 2003 and January 2004, Mills sold the same investor \$4,717.50 in futures contracts, yet never provided her with proof of the investment.
 - e. Through its second investigation of Mills, the Division discovered that the Utah Attorney General's office had opened a separate investigation of Mills.
 - f. The Attorney General's case revealed that between June and October 2003, Mills sold \$9,425 worth of DDS Technologies USA, Inc. stock to four Utah investors. None of the investors received stock certificates or proof that their investment had gone to DDS Technologies.
7. In connection with the offer and sale of these investment opportunities to Utah investors, Mills made the following false statements:
- a. That the investment opportunities were completely legal, when in fact, the investments were securities that were not properly registered and Mills was not properly licensed to sell securities;
 - b. That there was no risk, when in fact, every investment has some risk, and these investments were subject to significant risks;
 - c. That investor money would be held in escrow and was therefore, totally secure, when in fact, Mills had no reasonable basis on which to make this representation and subsequently investors did lose their money;

- d. That investors were guaranteed to at least get their principal back, when in fact, Mills had no reasonable basis on which to make that representation and subsequently many investors received no principal or interest; and
 - e. That investors could get their money back at any time by written request, when in fact, Mills had no reasonable basis on which to make that representation and subsequently investors who made written and verbal requests did not get their money back.
8. In connection with the offer and sale of various investment opportunities to Utah investors, Mills failed to disclose material information, including, but not limited to, the following, which was necessary in order to make the representations made not misleading:
- a. On May 22, 1980, the State of Alaska issued an Order to Cease and Desist against Mills for selling unregistered securities without a license;
 - b. On December 19, 1984, in Third District Court, Salt Lake County, Mills was criminally charged with issuing a bad check, a second degree felony. On May 2, 1989, Mills pleaded guilty to the charge;
 - c. On August 21, 1985, Mills filed for bankruptcy (Chapter 7) in the US Bankruptcy Court for the District of Utah, and received a discharge of debts in bankruptcy on July 17, 1986;
 - d. From October 30, 1985 through May 9, 2000, there were 44 judgments issued against Mills totaling \$446,641.67;

- e. In 1988, Mills was indicted in the US District Court, District of Utah, for bank fraud. On March 21, 1989, Mills was sentenced to six months incarceration, 4½ years probation and ordered to pay \$25,000 in restitution;
 - f. On November 9, 1994, Mills filed for bankruptcy (Chapter 7) in the US Bankruptcy Court for the District of Utah and received a discharge on March 7, 1995;
 - g. That investor funds would be used to pay Mills' personal and living expenses;
 - h. That previous investors' funds were used to pay Mills' personal and living expenses;
 - i. That Mills was not licensed to sell securities;
 - j. That the investments were securities that were not properly registered with the Division;
 - k. The track record of the investment being solicited and the performance of investments made by prior investors;
 - l. How the investment would generate a profit;
 - m. The marketability of the investment, i.e. the liquidity of the investment; and
 - n. The true nature and degrees of risks involved.
9. On December 19, 2005, in Third District Court, Salt Lake County, Mills entered into a plea agreement with the State of Utah, entered a guilty plea to three counts of securities fraud, and agreed to pay full restitution of \$185,167.50 to the victims. The victims referred to in this Consent Order were also included in Mills' restitution order. This criminal action was based on securities violations uncovered from the Division's first

investigation of Mills. On March 13, 2006, Mills was sentenced to three 0 to 5-year terms in the Utah State Prison, two of which will run consecutively. Mills was committed forthwith at the March sentencing hearing.

THE DIVISION'S CONCLUSIONS

10. Based on the Division's investigative findings, the Division concludes that:
 - a. The investments offered and sold by Respondent are securities under § 61-1-13 of the Act;
 - b. Mills willfully violated § 61-1-1 of the Act by making misrepresentations of material fact and omitting to state material facts in connection with the offer and sale of a security;
 - c. Mills willfully violated § 61-1-3 of the Act by selling securities in Utah without a license; and
 - d. Mills willfully violated § 61-1-7 of the Act by selling unregistered securities in Utah.
11. Respondent neither admits nor denies the substance of the Division's investigative conclusions, but consents to the Division entering an Order:
 - a. Requiring Zell Lou Mills to cease and desist from engaging in any further conduct in violation of the Utah Securities Act; and
 - b. Requiring that Zell Lou Mills pay a fine of ten thousand dollars (\$10,000) to the Division of Securities, to be offset, dollar for dollar, by the last ten thousand dollars (\$10,000) of restitution paid to victims pursuant to Mills' corresponding

criminal action, in Utah's Third District Court, Salt Lake County, Case No. 041903861.

12. Mills acknowledges that this Consent Order, upon approval by the Division Director, shall be the final compromise and settlement of this matter. Mills further acknowledges that if the Division Director does not accept the terms of the Consent Order, it shall be deemed null and void and without any force or effect whatsoever.
13. Mills acknowledges that the Consent Order does not affect any civil or arbitration causes of action that third parties may have against Mills arising in whole or in part from Mills' actions, and that the Consent Order does not affect any criminal cause of action that a prosecutor might bring.
14. This Consent Order constitutes the entire agreement between the parties herein and supersedes and cancels any and all prior negotiations, representations, understandings, or agreements between the parties. There are no verbal agreements which modify, interpret, construe, or otherwise affect this Consent Order in any way.
15. Violation of this Consent Order is a third degree felony pursuant to § 61-1-21(1) of the Act.
16. Mills has read this Consent Order, understands its contents, and enters into this Consent Order voluntarily. No promises or threats have been made by the Division, nor by any member, officer, agent, or representative of the Division other than as contained herein, to induce Mills to enter into this Consent Order.

Utah Division of Securities

Date: June 3, 2006

By: [Signature]
Michael Hines
Director of Enforcement

Respondent

Date: 5/22/06
[Signature]
Zell Lou Mills

Approved:

[Signature]
Gregory G. Skordas
Attorney for Respondent

[Signature]
Jeff Buckner
Assistant Attorney General

D.P.

ORDER

Pursuant to the terms of the Stipulation and Consent Order defined above, the Director of the Utah Division of Securities hereby orders that:

- a. Zell Lou Mills CEASE and DESIST from engaging in any further conduct in violation of the Utah Securities Act; and
- b. Zell Lou Mills pay a fine of ten thousand dollars (\$10,000) to the Division of Securities, to be offset, dollar for dollar, by the last ten thousand dollars (\$10,000) of restitution paid to victims pursuant to Mills' corresponding criminal action, in Utah's Third District Court, Salt Lake County, Case No. 041903861.

DATED this 20th day of June, 2006.


WAYNE KLEIN

Director, Utah Division of Securities

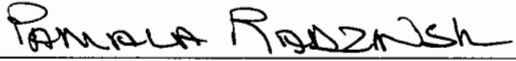


CERTIFICATE OF MAILING

I hereby certify that on the 20th day of June 2006, I mailed, regular mail postage prepaid, a copy of the foregoing **Stipulation and Consent Order** to:

Zell Lou Mills
Utah State Prison
Inmate #39446
PO Box 250
Draper UT 84020

Gregory G Skordas
9 E Exchange Place
Salt Lake City UT 84111



Executive Secretary